

COUNCIL MINUTES

December 17, 2009

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on December 17, 2009 at 8:01 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Kyle Jones
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

1. Hear a presentation and discuss FY 2009/10 budget update and financial forecast.

City Manager Christopher Brady acknowledged staff's efforts over the last year in quickly responding to the downturn in the economy. He stated that such efforts included, among other things, sacrifices by every City employees, the elimination of services, and the consolidation of City departments.

Mr. Brady explained that today's presentation would identify certain variables that will impact the City's budget in the future. He noted that in February, staff would come back and provide "a forecasted number" of any impacts that will require budget adjustments not only for the next year and a half, but in three to five years.

Mr. Brady expressed confidence that the City is in a position to continue through the remainder of the current fiscal year due to significant reserves that were developed and additional savings realized from the previous fiscal year's reductions, adjustments and changes in services. He cautioned, however, that the numbers staff will present to the Council this morning are done so with a great amount of caution and concern due to the uncertainty of when and how quickly the economy will recover.

Deputy City Manager Bryan Raines and Budget Director Chuck Odom addressed the Council relative to this agenda item.

Mr. Odom displayed a PowerPoint presentation (**See Attachment 1**) and reported that there was an unexpected increase in the City's FY 2008/09 ending fund balance (General Fund) of \$819,000. He explained that this was due in part to approximately \$13.1 million more in expenditure savings than originally projected.

Mr. Brady advised that when staff made certain budget modifications in November and December of last year, staff included the reductions of personnel, but not the ancillary savings associated with such reductions. He clarified that the \$819,000, as referenced by Mr. Odom, represents a dollar amount that is higher than what staff anticipated would be contributed to the General Fund balance.

Mr. Odom displayed a document entitled "General Fund Revenue FY 2009/10" (See Page 3 of Attachment 1) and commented that the reason staff is taking "a short-term view" relative to this financial forecast is so that he has an opportunity to evaluate November/December data relative to City sales tax, State sales tax, Vehicle License tax, Licenses & Permits, Charges for Services, and Fines & Forfeitures. He stated that because those categories are extremely volatile and tied to the economy, the more information staff has to analyze, the better off they will be in providing the Council numbers that are "more reasonable" going into the budget process. Mr. Odom added that the Urban Revenue Sharing (\$57.8 million) figure represents funds collected by the State two years ago.

Discussion ensued relative to the 2010 Census and the fact that Mesa may lose Federal funding (as compared to communities in the West Valley) based on population figures; the General Fund FY 2009/10 budget, including various expenditure categories and budgeted resources (See Pages 4, 5 and 6 of Attachment 1); that the transfers from the City's utility enterprises have remained constant; and that Mesa is not increasing utility revenues in order to cover shortfalls.

Mr. Odom further reported that local economists are predicting improvement in the economy this year and next, with a 6.8% growth in retail sales. He explained that staff attempted to "tie" the City sales tax numbers to retail sales and disposable income indicators. (See Page 7 of Attachment 1) Mr. Odom noted, however, that he is "pessimistically cautious" relative to such predictions and said that from a statistician's point of view, there is so much "noise" in the numbers that it is difficult to provide even a short-range forecast with what is occurring in the economy.

Mr. Odom indicated that State shared revenue is primarily driven by personal income and job growth data. (See Page 8 of Attachment 1) He stated the opinion that this item is the greatest threat to the City's income stream, especially if the State Legislature attempts to change the statutorily-defined formula that is used to distribute funds between the State and local municipalities.

Mr. Odom commented that with regard to Building Permit revenue, staff continues to look for the base revenue of what the normal activity for a community the size of Mesa would be. (See Page 9 of Attachment 1)

Mr. Odom explained that with regard to Court revenues (See Page 10 of Attachment 1), staff has recently seen a decline in the collection of revenues for citations and the issuance of fewer citations.

Mr. Brady commented that because of the downturn in the economy, staff has made a concerted effort to work with individuals to set up payment plans, which may delay the remittance of court revenues. He also stated that this has become a multi-year issue and is being addressed by Court personnel. Mr. Brady added that decisions, for instance, regarding the amount of a fine or if it should be adjusted, impact the City's revenues overall.

Councilmember Kavanaugh said that in the past few years, the City has seen a decrease in criminal activity and fewer traffic violations as citizens have become aware of the red light camera program. He noted that in addition, there have been dramatic policy changes at the State level concerning Driving Under the Influence (DUI) that the public has also become aware of that has resulted in fewer violations. Councilmember Kavanaugh suggested that these factors, as well as the efforts and hard work of the Mesa Police Department, might all contribute to the decline in Court revenues.

Mayor Smith commented that in a community the size of Mesa, he would expect that individuals would, for example, run red lights, incur violations and commit petty crimes, all of which would generate Court revenues. He noted, however, that the City does not look at the Court as "a profit center."

Mr. Odom provided a comparison of General Fund revenue in FY 09/10 and FY 10/11 (See Page 11 of Attachment 1). He stated that of particular concern is the fact that in FY 10/11, Mesa will lose \$14.2 million in Urban Revenue Sharing. Mr. Odom noted that any anticipated gains, based on the econometrics, are offset by that revenue category.

Further discussion ensued relative to a series of General Fund expenditure "pressures" (See Page 12 of Attachment 1); a FY 2010/11 General Fund Forecast Summary (See Page 13 of Attachment 1); Issues under consideration by staff to address the anticipated shortfall (See Pages 14 and 15 of Attachment 1); and a timetable of future budget presentations (See Page 16 of Attachment 1).

Mayor Smith commented that although the numbers outlined by Mr. Odom are "disheartening" because of overall economic conditions, he commended staff for their efforts to position the City in such a manner that the net impact in the short-term is "not what it could have been."

Councilmember Somers concurred with Mayor Smith's comments.

Mayor Smith thanked staff for the presentation.

2. Acknowledge receipt of minutes of various boards and committees.

- a. Parks and Recreation Board meeting held September 9, 2009
- b. Public Safety Committee meeting held October 22, 2009
- c. Library Advisory Board meeting held October 27, 2009
- d. Community & Neighborhood Services Committee meeting held November 2, 2009
- e. Economic Development Advisory Board meeting held November 3, 2009

It was moved by Councilmember Somers, seconded by Vice Mayor Jones, that the above-listed minutes be acknowledged.

Carried unanimously.

3. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Monday, January 11, 2010, TBA – Study Session

Monday, January 11, 2010, 5:45 p.m. – Regular Council Meeting

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the Study Session adjourned at 8:43 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 17th day of December, 2009. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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attachment (1)